

D.T.E. 03-117

Petition of Boston Edison Company for approval of its 2003 Transition Charge Reconciliation Filing, together with proposed Transition Charges, pursuant to G.L. c. 164, § 1A(a) and 220 C.M.R. § 11.03(4)(e).

D.T.E. 03-118

Petition of Cambridge Electric Light Company and Commonwealth Electric requesting approval of their 2003 Transition Charge Reconciliation Filing, together with proposed Transition Charges, pursuant to G.L. c. 164, §1A(a) and 220 C.M.R. § 11.03(4)(e).

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 FOR: BOSTON EDISON COMPANY
 COMMONWEALTH ELECTRIC COMPANY
 CAMBRIDGE ELECTRIC LIGHT COMPANY
 Petitioner

I. INTRODUCTION

On December 1, 2003, Boston Edison Company (“BECo”) filed with the Department of Telecommunications and Energy (“Department”) a reconciliation filing along with proposed updated charges and tariffs pursuant to G.L. c. 164, § 1A(a), 220 C.M.R. § 11.03(4)(e), and its Restructuring Settlement Agreement approved by the Department in Boston Edison Company, D.P.U./D.T.E. 96-23 (1998) (“BECo Reconciliation Filing”). On December 3, 2003, Commonwealth Electric Company (“Commonwealth”) and Cambridge Electric Light Company (“Cambridge”) also filed with the Department a reconciliation filing along with proposed updated charges and tariffs pursuant to G.L. c. 164, § 1A(a), 220 C.M.R. § 11.03(4)(e), and its Restructuring Plan approved by the Department in Commonwealth Electric Company/Cambridge Electric Light Company, D.P.U./D.T.E. 97-111 (1998) (“Commonwealth and Cambridge Reconciliation Filing”). BECo’s, Commonwealth’s and Cambridge’s (collectively “Companies”) reconciliations filings (collectively, “Filings”) include reconciliations of 2003 transition, transmission, standard offer, and default service costs and revenues for BECo, Commonwealth, and Cambridge as well as proposed updated charges and tariffs to be effective January 1, 2004. The Filings also propose to redesign distribution rates for the Companies’ rate classes. The Department docketed the BECo Reconciliation Filing as D.T.E. 03-117 and the Commonwealth and Cambridge Reconciliation Filing as D.T.E. 03-118.

The Department issued a notice and requested comments on the Companies' proposed rate adjustments and reconciliation for 2003.¹ The Department received comments from the Attorney General opposing the Filings on December 17, 2003 ("Opposition") and reply comments from the Companies on December 22, 2003 ("Reply"). The Companies responded to four information requests each for D.T.E. 03-117 and D.T.E. 03-118, issued by the Department on December 11, 2003.

As part of their rate redesign, the Companies propose to adjust their distribution rates such that each rate class receives the 15 percent rate reduction (BECo Reconciliation Filing, Exh. BEC-HCL at 5; Commonwealth and Cambridge Reconciliation Filing, Exh. CAM/COM-HCL at 6). The Companies propose to shift revenues among all of their rate classes. The Companies argue that their proposed rate redesign is (1) revenue neutral based on 2002 billing determinants, (2) both minor and necessary to avoid large transition charge deferrals, and (3) consistent with the Restructuring Act² and the Department-approved Restructuring Settlement Agreement for BECo and Restructuring Plan for Commonwealth and Cambridge (Reply at 3).

¹ The Department requested comments on BECo's reconciliation filing on December 4, 2003. The Department requested comments on Commonwealth's and Cambridge's reconciliation filing on December 8, 2003.

² "An Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protection Therein," signed by the Governor on November 25, 1997 ("Restructuring Act") St. 1997, c. 164.

II. ANALYSIS AND FINDINGS

In a December 17, 1999 letter to all electric distribution companies regarding the 1999 transition charge reconciliation filings (“December 17th Letter”), the Department stated that “[t]he Restructuring Act allows enough latitude . . . for minor and revenue-neutral rate redesign, if only to achieve the 15 percent reduction for each rate class” (December 17th Letter at n.6). Further, we stated that “a company may propose a minor, revenue-neutral rate redesign, expressly targeted to achieve the 15 percent reduction for each rate class. . . to avoid distribution revenue shortfalls or unacceptably large transition charge deferrals” (id.).

Any change to base rates is not to be undertaken lightly. The Department traditionally reviews proposed changes to base rates by conducting a thorough review of the costs and the manner in which the costs are allocated. See, e.g., Fitchburg Gas and Electric Light Company, D.T.E. 00-107 (2000); Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 97-111, at 39 (1998). The Companies’ proposal would circumvent this process. The rate redesign proposed by the Companies, although it may be revenue-neutral, is not necessary to achieve the 15 percent rate reduction for each rate class. As shown in its response to Information Request DTE 1-4,³ the Companies are able to achieve a 15 percent rate reduction for each rate class without the need for a revenue shift. In D.T.E. 00-107, at 1,

³ In this information request issued to BECo, Commonwealth and Cambridge, the Department instructed the Companies to submit schedules establishing a uniform transition charge that maintains the 15 percent decrease for each rate class and that maintains the current distribution rates (Companies’ Response to Information Request D.T.E. 1-4).

Fitchburg Gas and Electric Light Company proposed a shift of \$171,222 in revenues from the G-3 class to the R-1, G-1, and G-2 rate classes. The revenue shifts proposed by the Companies would have a larger impact on their distribution rates than the revenue shifts rejected by the Department in D.T.E. 00-107. Further, the transition charge expense deferrals that the Companies forecast will accumulate if the rate redesign is not allowed are proportionately of the same magnitude relative to their total transition costs as the transition charge expense deferrals that Fitchburg forecasted would accumulate in D.T.E. 00-107. Therefore, the Department is not persuaded that the increase in the Companies' annual transition cost deferrals that would be avoided through a revenue shift⁴ is unacceptably large as contemplated by our December 17th Letter or of a magnitude so as to warrant a departure from our long-standing policy on base rate changes.

For these reasons, the Department does not accept the Companies' proposed adjustments to their distribution rates. The Companies shall submit revised reconciliation filings, consistent with the method used in their response to Information Request 1-4, that establishes a uniform transition charge maintaining a 15 percent decrease for each rate class and also maintaining the current distribution rate charges. The Companies' revised reconciliation filings must be made no later than five days after the issuance of this Order.

⁴ Without a revenue shift, based on the Companies forecast the transition cost deferrals would increase by approximately \$18.2 million for Boston Edison Company, and \$6.1 million for Commonwealth Electric Company, and decrease by approximately \$1.2 million for Cambridge Electric Light Company. Information Request DTE 1-4, at 1.

III. ORDER

Accordingly, after review and consideration, it is

ORDERED: That the tariffs filed by Boston Edison Company with the Department on December 3, 2003 - M.D.T.E. Nos. 102C, 104A, 120A through and including 123A, 130A through and including 135A, and 140A through and including 142A - for service on and after January 1, 2004 are DISALLOWED; and it is

FURTHER ORDERED: That the tariffs filed by Cambridge Electric Light Company with the Department on December 3, 2003 - M.D.T.E. Nos. 204A, 220A through and including 225A, and 230A through and including 240A - for service on and after January 1, 2004 are DISALLOWED; and it is

FURTHER ORDERED: That the tariffs filed by Commonwealth Electric Company with the Department on December 3, 2003 - M.D.T.E. Nos. 304A, 320A through and including 325A, 330A through and including 336A, and 340A through and including 341A - for service on and after January 1, 2004 are DISALLOWED; and it is

FURTHER ORDERED: That Cambridge Electric Light Company and Commonwealth Electric Company shall file a compliance filing, including new tariff numbers, consistent with the directives contained in this Order within five days of the issuance of this Order.

By Order of the Department,

Paul G. Afonso, Chairman

W. Robert Keating, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).